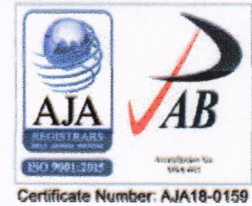




Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila



<b>Circular Letter No.</b>	2018-66
<b>Date</b>	28 December 2018
<b>Supersedes</b>	None
<b>Amends</b>	CL No. 2017-19

## CIRCULAR LETTER

**TO : All Health Maintenance Organizations**

**SUBJECT : Guidelines on Pre-existing Condition, Look-back, Waiting and Free-look Period on Health Maintenance Contracts**

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By the powers vested in me by Executive Order No. 192, Series of 2015, this Circular Letter on the Guidelines on Pre-existing Condition, Look-back, Waiting and Free-look Period on Health Maintenance Contracts is hereby promulgated:

### Section 1. Rationale

1.1. Pre-existing condition is an injury, illness, or disease that affects the member before the effectivity of a health maintenance contract. Pre-existing condition is normally excluded in the health maintenance contracts to cope with the adverse selection by potential customers and to lower the premium of the contract.

1.2. Adverse selection or antiselection is defined as the tendency of individuals who believe they have a greater-than-average likelihood of loss to seek protection to a greater extent than do other individuals. This may create a situation where people who believe they are in poor health are more likely to apply for life and health maintenance coverage than people who believe that they are in average or good health. Hence, an individual's demand for insurance is positively correlated with the individual's risk of loss.